

COPA FLIGHT SAFETY FOUNDATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Independent Auditors' Report
Statement of Financial Position
Statement of Revenue and Expenses and Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Directors of:
COPA Flight Safety Foundation

Qualified Opinion

We have audited the financial statements of COPA Flight Safety Foundation, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of COPA Flight Safety Foundation as at December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, COPA Flight Safety Foundation derives revenue from contributions and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of COPA Flight Safety Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, cash flows from operations and net assets for both December 31, 2018 and the previous year.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Frouin Group Professional Corporation
Ottawa, ON
April 30, 2019

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

COPA FLIGHT SAFETY FOUNDATION
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	General Fund	Neil Armstrong Fund	Total	
			2018	2017
ASSETS				
CURRENT ASSETS				
Cash	\$ 0	\$ 2,774	\$ 2,774	\$ 2,698
Short-term investment (Note 4)	0	0	0	57,578
Receivable from COPA (Note 5)	0	0	0	4,636
Prepaid expenses	<u>20,000</u>	<u>0</u>	<u>20,000</u>	<u>0</u>
	20,000	2,774	22,774	64,912
LONG-TERM INVESTMENTS (Note 4)	<u>23,859</u>	<u>163,125</u>	<u>186,984</u>	<u>135,664</u>
TOTAL ASSETS	<u>\$ 43,859</u>	<u>\$ 165,899</u>	<u>\$ 209,758</u>	<u>\$ 200,576</u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Due to COPA (Note 5)	\$ 27,842	\$ 1,197	\$ 29,039	\$ 3,363
Accounts payable	<u>0</u>	<u>7,500</u>	<u>7,500</u>	<u>0</u>
	<u>27,842</u>	<u>8,697</u>	<u>36,539</u>	<u>3,363</u>
FUND BALANCES				
General Fund	16,017	0	16,017	1,872
Neil Armstrong Fund - internally-restricted	0	45,998	45,998	84,137
Neil Armstrong Fund - endowment	<u>0</u>	<u>111,204</u>	<u>111,204</u>	<u>111,204</u>
	<u>16,017</u>	<u>157,202</u>	<u>173,219</u>	<u>197,213</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 43,859</u>	<u>\$ 165,899</u>	<u>\$ 209,758</u>	<u>\$ 200,576</u>

APPROVED ON BEHALF OF THE BOARD:

Director _____

Director _____

(See accompanying Notes to Financial Statements)

COPA FLIGHT SAFETY FOUNDATION
AUDITED STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Neil Armstrong Fund	Total	
			2018	2017
REVENUE				
Donations	\$ 9,405	\$ 13,091	\$ 22,496	\$ 34,552
Investment income (loss)	<u>0</u>	<u>(4,530)</u>	<u>(4,530)</u>	<u>9,245</u>
	<u>9,405</u>	<u>8,561</u>	<u>17,966</u>	<u>43,797</u>
EXPENSES				
Scholarships	0	15,000	15,000	12,000
Investment fees	0	1,652	1,652	1,262
General Aviation Safety Campaign	21,539	0	21,539	0
Administration fees to COPA (Note 5)	2,267	0	2,267	0
Travel expense	<u>0</u>	<u>1,502</u>	<u>1,502</u>	<u>1,021</u>
	<u>23,806</u>	<u>18,154</u>	<u>41,960</u>	<u>14,283</u>
NET REVENUE FOR THE YEAR	(14,401)	(9,593)	(23,994)	29,514
Fund balances, beginning of the year	<u>30,419</u>	<u>166,795</u>	<u>197,212</u>	<u>167,698</u>
FUND BALANCES - END OF YEAR	<u>\$ 16,018</u>	<u>\$157,202</u>	<u>\$173,218</u>	<u>\$197,212</u>

(See accompanying Notes to Financial Statements)

COPA FLIGHT SAFETY FOUNDATION
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue for the year	\$ (23,994)	\$ 29,514
Net change in non-cash working capital	<u>17,812</u>	<u>(1,460)</u>
	<u>(6,182)</u>	<u>28,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (Decrease) in long-term investment	(51,320)	(79,352)
Increase (Decrease) in short-term investment	<u>57,578</u>	<u>(1,545)</u>
	<u>6,258</u>	<u>(80,897)</u>
INCREASE IN CASH	76	(52,843)
CASH, beginning of year	<u>2,698</u>	<u>55,541</u>
CASH, end of year	<u>\$ 2,774</u>	<u>\$ 2,698</u>
REPRESENTED BY		
Cash	<u>\$ 2,774</u>	<u>\$ 2,698</u>

(See accompanying Notes to Financial Statements)

COPA FLIGHT SAFETY FOUNDATION
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. PURPOSE OF THE ORGANIZATION

The COPA Flight Safety Foundation is engaged in the solicitation of monies to promote flight safety by means of a monthly safety bulletin publication. The Foundation was incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act and therefore not subject to tax.

The financial statements of the Foundation have not been consolidated with those of the Canadian Owners and Pilots Association (COPA).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from those estimates.

b) Investments

Investments are measured at fair value at each reporting date, with gains and losses recognized in the statement of revenues and expenses as part of investment income.

c) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the General Fund.

The Neil Armstrong Fund is an internally-restricted fund which solicits donations in order to provide scholarships to train young people. The fund was set up in memory of Neil J. Armstrong, a past board member of COPA.

Endowment contributions are reported in the Neil Armstrong Fund. Investment income earned on endowment resources is reported in the Neil Armstrong Fund but does not increase the endowment portion.

d) Revenue recognition

The Foundation follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the Endowment Fund balance.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

COPA FLIGHT SAFETY FOUNDATION
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, short-term investments and amounts due to COPA approximate their fair value due to the relatively short period to maturity of the instruments. Long-term investments are carried at fair value. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest or currency risks arising from these financial instruments.

The Foundation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Foundation's maximum exposure to credit risk represents the sum of the carrying value of its cash, short and long-term investments. The cash is deposited with a Canadian chartered bank and a major investment broker and as a result management believes the risk of loss on this item is remote. Management reduces the credit risk attributable to its short and long-term investments by investing in conservative investments.

4. INVESTMENTS

				2018	2017
	Initial Cost	Maturity Date	Yield	Fair Value	Fair Value
Short-term investments					
National Trust annual cpd GIC	53,242	26-06-18	2.25%	\$ <u>0</u>	\$ <u>57,578</u>
Long-term investments					
Levis BEO 3.6% 14SP21	30,750	N/A	N/A	30,835	0
Bombardier 6.25% S4 CM PF	9,969	N/A	N/A	9,800	20,070
NBI Preferred Equity Income Fund	8,035	N/A	N/A	8,207	0
PIMCO Monthly Income Fund	10,164	N/A	N/A	10,066	0
RBC High Yield Bond	9,662	N/A	N/A	8,837	9,174
BMO Equal Weight Banks Index	5,749	N/A	N/A	4,978	0
BMO Equal Weight REITS Index	5,660	N/A	N/A	5,665	0
BMO INTL Dividend ETF	13,691	N/A	N/A	11,759	9,878
BMO US Dividend ETF	18,655	N/A	N/A	18,837	16,374
Horizons Active Cdn Div ETF	15,029	N/A	N/A	14,143	18,537
Horizons E/I US EQ-E ETF	7,826	N/A	N/A	0	8,003
Ishares Core S&P 500	17,554	N/A	N/A	19,152	16,764
Ishares Core S&P/TSX Capped	14,774	N/A	N/A	13,674	19,283
NBI Global Real Assets Income Fund	10,355	N/A	N/A	9,628	0
Vanguard FTSE Developed ETF	12,537	N/A	N/A	11,766	9,217
NBC Auto Callable XSP 30JN25	10,002	N/A	N/A	9,637	0
BMO Equal Weight REITS ETF	8,108	N/A	N/A	0	8,364
				<u>186,984</u>	<u>135,664</u>
Total investments				<u>\$ 186,984</u>	<u>\$ 193,242</u>

COPA FLIGHT SAFETY FOUNDATION
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5. RELATED PARTIES

The Foundation is controlled by the Canadian Owners and Pilots Association (COPA). Membership in the Foundation is limited to the directors of COPA and its directors must be either officers or directors from the Executive Committee of COPA.

The Foundation shares accommodations with COPA, which provides office personnel, telephone and other services. The Foundation's Neil Armstrong Fund owes COPA \$1,197 and the General Fund owes COPA \$27,842, for a net payable to COPA of \$29,038 (2017 - Net Receivable of \$1,273).

The Foundation paid COPA a \$2,267 management fee during the year.

6. FINANCIAL RISK MANAGEMENT POLICY

COPA Flight Safety Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2018:

a) Credit risk

Credit risk associated with their investments is minimized by investing these assets in GICs and widely traded equity investments. An ongoing review is performed to evaluate changes in the status of investments under the Foundation's investment policy.

b) Currency risk

The Foundation's functional currency is the Canadian dollar. The Foundation does not enter into foreign currency transactions and does not use foreign exchange forward contracts.

c) Liquidity risk

The Foundation manages its liquidity risk by regularly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash. Accounts payable are normally paid within 30 days.

d) Interest rate risk

The Foundation is exposed to interest rate risk with regards to its cash and short-term and long-term investments. The Foundation has no interest-bearing liability. Fluctuations in market rates of interest on cash do not have a significant impact on the organization's results of operations. GICs have a low interest rate risk due to their short-term nature. Therefore, this risk does not have a significant impact.

7. COMMITMENT

During the fiscal year, the Foundation entered into an agreement with Speakers' Spotlight for payment of a speaker's fee in the amount of \$40,000 for the 2019 Black Tie Gala Dinner. At year end, a deposit of \$20,000 was paid, and the remaining \$20,000 plus per diems will be paid in 2019.